THE INDEPENDENT

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Wealth Check: Help us make the most of our Riviera odyssey

By Kate Hughes

The Seatons are off to live in the South of France but need to get their finances in shape.

The patient

Maggie and Ken Seaton are planning a life-changing move to the South of France, after Ken accepted a job in Nice. But the couple have only had a few weeks' notice to arrange their affairs, and they are worried about how to manage their money once they have settled overseas.

"We're excited and scared at the same time because it's a massive upheaval," says Ken, 55, a writer from East Dunbartonshire in Scotland. "We lived in France as a young couple, and speak French, but we had a lot more time to plan last time. Life is also a lot more complex now. This time it's not just about packing up and driving down in a VW Beetle."

The couple aren't worried about the underlying strength of their finances, though. Ken was made redundant last month but having quickly found another job, he has managed to keep hold of a significant amount of the severance pay he was awarded.

The couple have paid off most of their debts, placed £3,600 in a cash Individual Savings Account (ISA), and spent several thousand pounds setting up their new life in Nice, but still have about £36,000 left. They also have about £7,500 in a building society account.

Meanwhile, their mortgage has seven years to run, with monthly payments of £300. "We don't want to sell the house in the UK," Ken says. "We're planning to rent it out and use it as a UK base. We have been told we can get about £700 a month in rental income from it which we would use to pay off the mortgage.

"In France we will rent initially, but then buy. Property is not cheap in Nice, but we are looking to invest in a home with what we have, or with our pension lump sum and our earnings. We do want to try to hold on to the rest of the redundancy money, though."

The cure

The couple have a robust financial portfolio behind them, particularly when it comes to their investments and pension. But to make sure that money works hard for them overseas and in Britain, Ken and Maggie need to step back and work out how much that portfolio is worth, what their everyday budget will be and what they want to get out of their assets – the total value they have in property, investments, savings and pensions.

And to make sure they don't unnecessarily hand over more of those assets to either the British or French taxman, they also need to be well informed of the tax implications and the range of investment options available to them on both sides of the Channel.

Savings/investments

The couple's main financial concern is what to do with their £36,000 lump sum. "The challenge is knowing what they need their money to do for them," says Jo Clark of financial adviser No Monkey Business. "To get to that stage, Ken and Maggie need to work out what income they will have and the budget they will require both when the first arrive in France and when they retire. Then they can work out what they want to use their assets for and how their investments should be structured."

Ken and Maggie say they would like an income from their investment to supplement their salaries in France, but would prefer not to risk losing the money.

"As non UK residents, Ken and Maggie need to think carefully about tax efficiency in regard to their savings and investments," warns Steve Laird, an independent financial adviser for Carrington Wealth Management. "It will be worth taking advice from an English-speaking expert in French taxation to find the best tax approach for their money. They also need to look again at their ISA and any other tax-efficient savings in the UK because they won't be British taxpayers and the interest in these savings may be liable for tax in the future."

Mr Laird suggests that Ken and Maggie could consider a guaranteed income product, offering a fixed rate of interest on their money which is paid out as an income on a regular basis. With this type of product, as long as the FTSE 100 doesn't fall by more than 50 per cent during the investment term, they should, at least, get their original investment back. And if the FTSE performs well, the rate of interest could increase significantly. Asset manager Jubilee Financial Products, for example, is offering this kind of "structured" product offering a 10 per cent annual rate if the FTSE 100 stays the same or rises over the next 18 months.

The only outstanding debt that Ken has is a £4,000 loan for a motorbike, which he is planning to pay off using the £7,500 in building society savings.

But the advisers urge the couple to set aside some emergency savings money, particularly in light of the move and wider economic uncertainty. This should be between three and six months' salary, and saved into an easy access account to help to tide them over in case of problems.

Meanwhile, the weak exchange rate between sterling and the euro means that Ken and Maggie should think carefully before transferring significant amounts to the eurozone currency, says Mr Clark. If possible, they should try to keep their money in sterling until the rate improves.

Investments

Between them, Maggie and Ken have built up private pension pots in three separate company employee schemes over the years. They are unsure when to start taking an income or how much to take, but the couple would prefer not to start taking their pension yet if they don't need to.

"If the couple is confident of their ability to earn enough to live on comfortably, delaying taking their pension will mean they will get a better income from it later," says Mr Clark.

But because they are moving overseas, Ken and Maggie could find that the rules about how they can use or invest their pension savings are much more flexible.

People with British pensions who move abroad can transfer their money into a Qualifying Recognised Overseas Pension Scheme (QRops). This could allow them greater control over how their money is invested; they aren't forced to take an annuity, and they could take a lump sum without having to begin taking a monthly income from the fund immediately.

For more information on QRops and a list of eligible schemes go to the HMRC website at www.hmrc.gov.uk, but the decision to move retirement savings so close to permanently finishing work should only be taken with specialist independent financial advice.

Property

The couple are considering using just such a lump sum from their pensions to invest in property, which the advisers are very uncertain about.

Ken and Maggie are urged to consider whether buying rather than renting a property will offer them any financial gain, especially if they have to move back to Britain, or one or both suffer from ill health in the future or even dies suddenly. The main difficulty seems to be that property – particularly in this market – is an illiquid investment. In other words, it can be difficult to sell and who is to say that the slide in house prices being experienced throughout Europe will end anytime soon. If they have to sell suddenly in the future, they may have to do so at a loss.

"Do they really want to tie their pension money up in a property when they never know when they may need the liquid cash?" asks Peter Chadborn, an independent financial adviser for CBK Colchester.

"Ken and Maggie have a number of financial options open to them, both in the UK and France. Now is the time to investigate their options, taking advice from specialists on both sides of the channel."

Do you need a financial makeover?

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